

**STATEMENT OF
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RAILROAD SUBCOMMITTEE
HEARING ON
“THE U.S. RAIL CAPACITY CRUNCH”
APRIL 26, 2006**

Good Morning. I'd like to welcome you all to this morning's hearing about “The US Rail Capacity Crunch.”

In 1980, our nation's rail industry was in dire straights. Twenty percent of our nation's railroads had gone into bankruptcy in the previous decade, including most of the railroads in the northeast. Many holders of railroad stocks and bonds were left with nothing more than worthless slips of paper.

Competition from trucks had sapped the railroads' traditional traffic base. New investment was needed to meet this competition, but the regulatory regime of the old ICC made this impossible. The ICC forced the railroads to maintain and operate unprofitable branch lines, while the busy main lines suffered from years of deferred maintenance and neglect.

Just how bad were the tracks back then? Legend has it that the old PennCentral experienced “standing derailments,” a situation where a parked train topples onto its side when the tracks give way underneath.

The 1970's were dark days for shippers as well. Labor, fuel and other costs were rising faster than inflation, but the railroads had little incentive to improve efficiency. Inflated costs were merely passed on to shippers in the form of higher tariffs blessed by the ICC.

Private investors abandoned the rail system. The remains of the PennCentral system ended up in government hands under the name of Conrail. Likewise, the burden of operating unprofitable passenger service fell to another government entity, Amtrak.

Something had to be done, or the entire rail system would have ended up bankrupt or nationalized.

The answer to this immense problem was the Staggers Rail Act of 1980. Staggers released the railroads from the government regulatory stranglehold and helped attract billions in new private capital.

The rail system underwent a drastic restructuring. The number of employees was drastically reduced. Many tracks were torn up and sold for scrap. Excess mainline capacity was eliminated. Unprofitable branch lines were sold to entrepreneurs. Cost cutting became a science. New markets, such as premium intermodal service, came to the fore.

Rail rates have declined in real terms since the passage of Staggers, while productivity has tripled. At the same time, the industry's safety record has improved immensely, with far fewer injuries and deaths per year than in the 1970's. We no longer hear of any "standing derailments."

But this success has not come without a cost. Twenty-six years after the passage of Staggers, our railroads have become congested -- sometimes nearly to the point of gridlock. Shippers are complaining that it takes longer to move a car across the country now than it did ten years ago.

In some cases, farmers have been unable to obtain cars to move their products to market. The demand for coal has soared, but utilities have reported difficulty in moving coal from the mines to power plants.

As incredible as it may seem, railroads are having a difficult time finding qualified workers to meet these new service demands. Much of the older generation is near retirement and it seems that many younger people are put off by the long hours, mental stress and physical labor required by most railroad jobs. Railroad workers might seem to be well paid, but let me tell you, they earn every penny.

The world has changed since 1980. We no longer have the option of diverting rail freight traffic onto our highways. Anyone who has driven the Beltway recently knows why.

All across the country, motorists are sick of being stuck in traffic every day. People are demanding solutions, such as new rail passenger service. But in many cases this is not really "new" service. We are only trying to restore what was abandoned in the fifties and sixties.

In today's hearing, a quarter century after passage of the Staggers Act, I hope to learn what it is going to take to build the rail system of 2050, a system which will carry both freight and passengers with speed, economy and efficiency.